
REFERENCE: WIC PROCEDURE MANUAL

<http://apps.sd.gov/applications/ph01icds/ph01icdsnet/index.aspx>

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FOOD DELIVERY SYSTEM

GOAL: To provide a uniform retail purchase food delivery system to insure participants receive supplemental foods free of charge.

I. Processing Food Instruments

Objective:

To develop a uniform food instrument to be used in the Retail Purchase System.

Implementation:

A. Uniform Food Instruments

1. The State Agency will be responsible for providing a uniform food instrument (instrument/check). The "instrument" is similar in appearance to a check, except it cannot be redeemed for cash. The automated instrument processing system uses both manually written and computer printed instruments.
2. Each instrument will contain the following information:
 - a. Local Agency Identification Code
 - b. Participant Identification Number
 - c. Issuance Date
 - d. Name of Payee
 - e. Signature for participant/alternate
 - f. Unique Sequential Identification Number
 - g. Space is provided for the listing of food items authorized for purchase with the instrument.
 - h. Space is provided for the vendor to stamp on the Vendor Identification Number.
 - i. Space is provided where the participant is required to enter the actual purchase price at the time of purchase prior to participant signature.
 - j. Identification of the expiration date of the food instrument.

- B. The food instruments can be used by the participant at any authorized vendor who has a signed Vendor Agreement with the WIC Program of South Dakota.

Refer to the Electronic procedure manual for a facsimile of the food instrument.

Evaluation:

An effective food instrument which accomplishes the Objective.

II. Accountability System of Food Instruments

Objective:

To demonstrate 100% accountability for computer printed and manual instruments.

Implementation:

A. State Agency Responsibility

The State Agency orders food instruments approximately four times each year through a bid system. When instruments are received, they are accounted for and stored in a secure place under lock and key. Only authorized personnel have access to the instruments.

WIC Food Instrument check stock is sent to the Local Agency. A receipt of WIC Food Instrument Form is completed and returned by the Local Agency electronically to account for all Food Instruments. If the Local Agency response on the receipt does not correspond with State Office records, the Local Agency is contacted to verify the differences. If there are instruments not accounted for, then a Lost, Damaged or Stolen Report is submitted to the State office.

B. Local Agency Responsibility

Upon receipt of WIC instruments, the Local Agency must:

1. Inventory the instruments received to assure that all are accounted for in the series.
2. Report instruments missing in a series or damaged immediately to the State Office on a Lost, Damaged or Stolen Form. Food instruments may then be issued to the participants.
3. Complete Receipt of WIC Instruments Form to document receipt of computer printed or manual instruments and return to the State Office to verify records were received. Once a Local Agency returns this receipt, the instruments become the responsibility of the Local Agency. The return of the receipt notifies the State that all instruments were accounted for when received. If some instruments are missing later, it is assumed they were either lost or stolen at the Local Agency site.
4. Secure the instruments under lock and key.
5. Maintain inventory of unused food instruments.

6. Report lost damaged or stolen instruments to the State Office.

Refer to Procedures Manual for further procedures by the Local Agency for the accountability of food instruments.

- III. Issuing Food Instruments (we need to add in bi-monthly and staggered FI issuance)
This was implemented as a pilot in January of 2005. All Local Agencies were able to issue food instruments for two months and issue them throughout the month by December of 2005.

Objective:

To establish an accountable mechanism for distribution of the instruments.

Implementation:

A. Local Agency Responsibility

The Local Agency is responsible for all instruments once they have returned the Receipt of WIC Instruments Form to the State Office indicating all instruments were accounted for when received. The Local Agency must:

1. Verify participants are eligible to pick up their instruments for authorized foods.
2. Request to see the WIC ID pouch of the payee or authorized alternate.
3. Check the pre-printed food instrument numbers on the check stock with the next food instrument number on the ICDS system before printing to assure computer number printed on food instrument and preprinted number match before issuance to each participant.
4. Allow participants to receive two months of food instruments at one appointment or on a monthly basis determined by criteria of need.
5. Have the payee or authorized alternate sign the check register in the presence of WIC personnel.
6. Explain the instrument cashing procedure to payee or alternate and advise what constitutes program abuse in handling instruments.
7. Report the status of all voided food instruments to the State Office.
8. Report unredeemed instruments returned to the Local Agency by the participant to the State Office.

Refer to Procedure Manual for local agency food delivery operations.

Evaluation:

An accountable distribution mechanism.

IV. Mailing Food Instruments

Objective:

To provide guidelines for mailing of food instruments to participants when circumstances prevent them from receiving the instruments at the local agency in accordance with federal regulations.

Implementation:

- A. Food instruments shall be mailed to participants once in a certification period if individual participants encounter difficulties in obtaining instruments for such reasons as illness, imminent childbirth, and cost of travel, inability to get to the local agency during business hours or inclement weather conditions. Approval must be obtained from the State Office for reasons other than those listed.
- B. Local Agency responsibilities include:
 - 1. Sending the instruments in envelopes that have the wording "Return Receipt Requested" beneath the return address.
 - 4. Documenting in the participant's folder the reason for mailing the food instruments.
 - 5. Identifying with an asterisk (*) the appropriate instrument numbers on the WIC Check Register with a notation of why these instruments were mailed.
 - 6. Insuring that mailing of instruments does not occur for more than once in a certification period, as the participant must return to the clinic after that time to receive health and nutrition education services.
 - 7. Reporting to the State Office whenever instruments are mailed.
- C. No agency wide mailing of food instruments is allowed.

Refer to Procedure Manual.

Evaluation:

A system which is compatible with the health and nutrition education requirements. The procedure will be reviewed and/or revised annually.

V. Vendor Payment

Objective:

To provide vendors with prompt payment for food costs.

Implementation:

A. Instrument Payment

1. The food vendor presents WIC instruments for payment under the normal banking system.
 2. The instruments are then presented to the bank handling the State WIC account through the Federal Reserve System. First Premier Bank processes all WIC Checks within 24 hours of receipt.
 3. Deposits to the account are made from funds received from drawdown on the U.S. Treasury.
- B. The bank screens the instrument for stale dates, missing WIC Vendor Identification numbers, over maximum dollar amount, missing purchase price, and signature, and returns these as unpaid to the respective vendor's bank.
- C. The actual disbursement of funds for a food instrument is recorded on a bank computer system of redeemed food instruments. The record contains the food instrument number, dollar amount, vendor ID number where the food instrument was redeemed, and the date redeemed. Daily this information is electronically transmitted to the State Office. A daily listing of instruments returned to the vendor's bank is submitted to the State Office electronically. All food instruments are accessible for viewing for 45 days from date of redemption on the bank website.
- D. Names of companies, exclusive of authorized vendors, with whom the State contracts for food delivery services:

1. First Premier Bank

Evaluation:

Provides payment in a timely manner and thereby accomplishes the objective.

VI. Expired Food Instruments and Payment to Non-Authorized Vendors

Objective:

To provide guidelines for the payment of expired food instruments and to non-authorized vendors.

Implementation:

- A. Individual expired food instruments accepted at authorized retail stores will not be paid by the WIC Program.
- B. Individual food instruments accepted at non-authorized retail stores will not be paid by the WIC Program.
- C. Expired food instruments submitted by one vendor at any one time in excess of \$500 require FNS approval prior to payment.

Evaluation:

Establishes basis for payment of expired instruments.

VII. Reconciliation of Food Instruments

Objective:

Accurate and timely reconciliation of food instruments to ensure financial management of the WIC Program.

Implementation:

- A. Reconciliation occurs via the ICDS system and provides an accounting of food instruments (manual or computer generated) on a one-to-one basis.
- B. Status of invalidated, or damaged food instruments are entered onto the ICDS system at the Local Agency. These food instruments are stamped appropriately and maintained per record retention policies. Instruments previously reported as lost or stolen and returned to the Local Agency will be submitted to the State Office as voided, all miss-printed instruments are voided at the State Office and sent to WIC bank for imaging, and images are captured on CD for record retention.
- C. The redeemed food instruments are reduced to a computer readable form by the contract bank and once a month this data is sent to the State Agency. The bank also provides a monthly statement and a CD Rom of the instruments. The bank destroys the hard copy instrument upon direction from the WIC Program and approximately 45 days after receipt of the CD Rom.
- D. In the reconciliation process, invalidated food instrument records and redeemed food instrument records are matched to the master food instruments issued file. When a match on food instrument numbers occurs, the data is printed on the detail reconciliation report and the master food instrument issued record is transferred to a reconciliation history file. When a match occurs between a master food instrument issued record number and an invalidated food instrument record number, the data is printed on the detail reconciliation report and the master food instrument record is transferred to the unused food instrument file with the appropriate codes.
- E. All food instruments are assigned a maximum dollar value when issued based on the price list average, per food item, per peer group, plus a specific percentage amount. The reconciliation process accounts for all funds (food dollars). This process includes the disposition of the instruments and the actual cash redemptions and/or the amounts not obligated as a result of unredeemed and expired food instruments.
- F. The Reconciliation process produces the following reports:
 - 1. Detailed Reconciliation Report - When a food instrument issued record has been on the file over 60 days, the record is printed on this report with an explanation and written to the unused food instrument file and the dollar amount for that instrument is de-obligated.
 - 2. Monthly Totals - This report provides overall totals of the monthly reconciliation run. The data given is the number of food instruments redeemed, obligations, de-obligations, value of redemptions, and the

outstanding obligations (obligations minus transactions and de-obligations).

3. Unmatched Redemption Report - This lists transaction records that do not find a match on the master food instrument issued file. Unmatched food instruments are put on a temporary file and run through the reconciliation process the following two months. Totals are produced giving the number of unmatched stripped from the file after three months, food instruments numbers from previous months that found a match and a number of unmatched still on the temporary file. Records other than redemptions are noted in the comments area of the report (void, unclaimed or lost/stolen).
4. Obligation Status - This report provides a financial picture at the clinic site level, the local agency level, and State level. It provides a breakdown of obligations, de-obligations, and expenditures for the report month, one and two months prior to report month, and one month following the report month.
5. Excessive Food Instruments Redeemed Report - This report identifies any food instrument redeemed above the estimated cost of the food instrument. Based on this report, vendors are contacted regarding overcharges.

Evaluation:

Provides accurate and timely reconciliation on a one-to-one basis.

VI. Expired Food Instruments and Payment to Non-Authorized Vendors

Objective:

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Implementation:

- A. Individual expired food instruments accepted at authorized retail stores will not be paid by the WIC Program.
- B. Individual food instruments accepted at non-authorized retail stores will not be paid by the WIC Program.
- C. Expired food instruments submitted by one vendor at any one time in excess of \$500 require FNS approval prior to payment.

Evaluation:

Establishes basis for payment of expired instruments.

VIII. Food Vendors

Objective:

To establish the mechanism for vendor selection, enrollment and training in accordance with Federal Regulations and State Policies and Procedures.

Implementation:

A. Vendor Selection

1. State Agency responsibilities include:
 - a. Assure all Food Vendors meet selection criteria as identified.
 - b. Perform an on-site visit before or at time of initial authorization of a vendor.
 - c. Consider the impact of authorization decisions on small businesses.
 - d. Limit the number of vendors so that the State can manageably review vendors.

B. Vendor Authorization Process

1. State Agency responsibilities include:
 - a. Contract with vendors determined to have met all requirements in the Vendor selection process. Refer to Vendor Policy and Procedure Manual.
 - b. Provide vendor with 15 days advance notice of expiration of agreement.
 - c. Review vendor's qualifications at least once every two years.

Evaluation:

Accomplishment of Objective.

IX. Vendor Monitoring

Objective:

To prevent program errors and abuse and to assess the types and levels of problems.

Implementation:

- A. The State Office shall be responsible for the monitoring of the WIC vendors. Refer to Vendor Policy and Procedure Manual.
- B. Utilize data analysis to target corrective procedures, including training and sanctioning of vendors.

1. Conduct a compliance buy investigation to at least 10% of the authorized vendors; inclusive of compliance buys conducted at vendors identified as high risk.
2. Conduct an education buy/on-site visit to at least 10% of the authorized vendors.

Evaluation:

To provide WIC participants access to authorized vendors to redeem instruments for program benefits.

Cost Containment Vendor Interim Rule – 7 CFR Part 246 Requirements:

Vendor Peer Group System Methodology:

Type	
Type	Type Code
Independent	1
Convenience Store	2
Chain store	3

Size		
Size	Size Code	Food Sales
Small	1	0 - 500,000
Medium	2	500,001 - 1,500,000
Large	3	1,500,001 - 7,500,000
Xlarge	4	7,500,001 and Up

Population	
Population Density	Classification Number
00 - 06	1
>06 - 14	2
>14 - 33	3
>33 - 54	4
>54 - 200	5

Peer Grouping

The WIC vendors were grouped by multiplying the Type Code Number times the Size Code Number times the Population Density Class Number times the STARS Food Sales the results were then split into four groups using 0-30 percentile, 31-50 percentile, 51-80 percentile and greater than 80 percentile

Competitive Price Selection Criteria:

Shelf prices are collected semi-annually and then entered into MIS system. Vendors may submit price updates at anytime throughout the 6 month period and information will be updated on ICDS. Peer Groups will be pre-determined and prices will be analyzed by determining the average price and allowing a percentage above the mean within each peer group.

Food Instrument Screening now occurs prior to payment of vouchers at the bank. The MIS system maintains the maximum price and a daily file with maximum prices for vouchers issued is sent to First Premier. They then edit all checks as stated in section V of this document. The checks are returned to the bank of first deposit who then returns them to the vendor. The vendor must then contact the State Office for an authorization code and then re-submit for payment. Once an authorization code is provided the State then adds these checks to the exemption file that is sent daily to the bank. .

Pre-edit System for Voucher Payment:

South Dakota went to a pre-edit voucher payment system effective May 1, 2007. This is run through our State Bank – First Premier.

SOUTH DAKOTA DEPARTMENT OF HEALTH WIC PROGRAM RETAILER AGREEMENT

Retailer Name _____ Retailer Representative _____ Phone _____

Street _____ City _____ County _____ State _____ Zip _____ WIC Retailer # _____

This AGREEMENT is entered into with the South Dakota Department of Health, (referred to as the DEPARTMENT) to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (referred to as the PROGRAM) by the above named retail food outlet (referred to as the RETAILER) for the purpose of providing supplemental foods to eligible persons under the WIC Program.

This Agreement is valid for the period of _____ through _____. Neither PROGRAM nor RETAILER has an obligation to renew this Agreement after the expiration date. Retailer must reapply at agreement expiration to continue authorization and DEPARTMENT must provide RETAILER at least 15 day advance notice of agreement expiration. This agreement does not constitute a license or a property interest.

I. RETAILER RESPONSIBILITIES:

A. The Retailer agrees to routinely stock the following varieties and minimum quantities of WIC approved foods as specified on the WIC Approved Food List. Failure to meet these stocking requirements during this agreement period may cause this Agreement to be terminated.

1. Minimum Stocking Requirements for Infant Foods are as follows:

- 9 cans of the standard contract powdered infant formulas in the 12.9 ounce size, either soy or milk based;
- Or 24 cans of the standard contract liquid formulas in the 13 ounce size, either soy or milk based.
 - The retailer agrees to stock other brands of formula on an as needed basis. Infant formula must be purchased only from a wholesaler, distributor, or retailer on PROGRAM'S approved list.
- 12 4-ounce bottles of approved infant juice;
- 16 ounces of approved infant cereal.
 - An exception would be that retailers who do not have any infants on the WIC program that utilize their store will be required to order infant formula, infant juice and infant cereal upon request of the participant or the WIC Program. Retailers must contact the State WIC Office to be granted an exception. The State WIC Office will verify through the Local Agency the absence of infants on the WIC Program for each retailer that requests the exception before it is granted.
 - The retailer must be able to supply the infant formula, infant juice and infant cereal within 24-48 hours. If the retailer is unable to supply the formula within the 24-48 hour time frame, the retailer must contact the State WIC Office to determine if an exception can be made to extend the 24-48 hour time frame to within five (5) days.

2. A minimum of eight gallons of fluid milk in a combination of 1%, 2%, skim or whole milk, and stock evaporated, dry, lactose-reduced, acidophilus and goat's milk as requested by WIC customer or WIC Program. Specialty milks must be available within 72 hours.

3. A minimum of two one-pound packages of two approved varieties of cheese.

4. A minimum of four dozen medium / large fresh eggs.

5. A minimum of two 46-ounce cans of 100% vegetable or tomato juice and twelve 12 ounce cans of frozen 100% fruit juice with a minimum of two flavors of stocked. Retailer agrees to stock 8-16 oz single serving approved juice as requested by the WIC Program or by the participant.

6. A minimum of two one-pound bags of dried beans or peas, any variety; and stock 8 to 16 ounce canned beans/peas as requested by WIC customer or WIC Program.

7. A minimum of two containers, 18-ounce size or less, 100% peanut butter.

8. A minimum of four 6 to 6 ½ ounce cans of light tuna in either water or oil pack.

9. A minimum of two pounds of either fresh or frozen carrots. Canned carrots must be stocked if requested by the WIC Program or the WIC customer.

10. A minimum of two boxes each of four varieties of cold, ready-to-eat cereals and two boxes of hot cereal.

B. The Retailer agrees to provide supplemental foods to PROGRAM participants only upon receipt of a properly completed food instrument and to complete the food instrument transaction properly. Refer to South Dakota Department of Health WIC Retailer Management Handbook for instructions. "Food Instrument" means the document which is used by a participant to obtain supplemental foods. To complete a food instrument transaction properly, the retailer agrees:

1. To accept food instruments issued by the PROGRAM only for the designated food items and quantities listed on face of the document. The retailer may not charge, give cash, credit, or issue rain checks for WIC food instruments or refunds for WIC items purchased with WIC food instruments.

2. To allow no substitute for those items listed on the food instruments. Additional foods, unauthorized foods, or non-food items, shall NOT be given to the customer.
3. To charge a price for the supplemental foods that is no more than the current price charged to non-WIC customers.
4. To charge a price for the supplemental foods that does not exceed its peer group value.
5. To require the participants, parents and caretakers of infant and children participants, or proxies to present a WIC ID Pouch insuring identification and signature verification.
6. To require the purchase price to be entered on the food instrument before the participant signs.
7. To not accept a food instrument prior to issue date or after expiration date.
8. To deposit food instruments in a bank account within 45 days from date of issue.
9. To handle transactions with WIC participants, parents/caretakers, or proxies in the same manner as all other customers.
10. To be accountable for actions of employees in handling of food instruments or provision of supplemental foods.
11. To record the store's WIC identification number in the designated space in each food instrument redeemed. This shall be accomplished by utilization of the PROGRAM issued retailer stamp.
12. To enter the transaction date on each food instrument redeemed, either electronically or manually.
13. To serve participants equally, regardless of race, color, national origin, age, sex or disability.
14. To not apply sales tax of any kind to foods purchased with WIC food instruments.
15. To allow no exchanges, except for food items that are defective, spoiled, or exceed their sell/use date and then only for the exact same brand, type and size of supplemental food item.
16. To notify the PROGRAM if it is determined that 50% or more of the RETAILER's annual food sales for food stamp eligible food items will be derived from the redemption of WIC checks.
 - a. Retailers authorized after December 8, 2004, will be terminated unless participant access hardship is determined.
- C. The RETAILER must obtain prior approval and an authorization code from the State WIC Office before changing the amount on a WIC check returned to the Retailer by a bank. Upon obtaining approval and an authorization code from the State WIC Office, Retailer can re-submit the WIC check to the bank of first deposit.
- D. The RETAILER will not seek restitution from a participant for a food instrument not paid or partially paid for by the PROGRAM or bank. Nor will the RETAILER refer unpaid food instruments to a collection agency or third party for collection.
- E. The RETAILER will assure the manager or authorized representative at a minimum agrees to accept WIC retailer training at least once per contract period:
 1. The RETAILER will ensure that employees are familiar with the terms of this Agreement.
 2. The RETAILER will be responsible for training all cashiers handling WIC authorized transactions, provide all employees with new information received from the program and be responsible for actions of its owners, officers, managers, agents, and employees which are contrary to this Agreement.
- F. The RETAILER agrees to provide time to any PROGRAM representative for periodic announced or unannounced visits to determine RETAILER compliance with program rules, regulations, and policies, allow access to shelf prices, inventory records and to inspect food instruments in Retailers possession and all program related records upon request. Inventory records are to be maintained for a period of three months.
- G. The RETAILER agrees to submit gross sales, food sales and Food Stamp sales information upon request with supporting documentation as necessary. Examples of supporting documentation include but are not limited to IRS Forms 1065, 1120, 1120S or 1040 Schedule C.
- H. The RETAILER agrees to retain all sales receipts for all WIC transactions for a period of six months and will make receipts available to the PROGRAM upon request.
- I. The RETAILER agrees to submit a WIC Foods Price List upon price increases, whenever requested or at a minimum of every (3) months.
- J. The RETAILER agrees that if more than 50% of its annual revenue is from the sale of food items for WIC food instruments, no incentive items or other free merchandise will be provided to the WIC customers unless the WIC PROGRAM pre-approves those items.
- K. The RETAILER agrees to comply with State WIC program's rules, regulations, policies and procedures and to comply with vendor selection criteria throughout the agreement period, including any changes to the selection criteria.

II. Program Abuse and Sanctions

- A. Abuse of the PROGRAM by the RETAILER is just cause for termination of this Agreement. Disqualification from PROGRAM will be based on the number of points accumulated or the severity of the sanction. Disqualified retailers may be considered having forfeited their authorization and if they seek reauthorization from the Program, Retailer will be required to apply for authorization after expiration of the disqualification period.
- B. A RETAILER previously assessed a sanction for violations included in E.1 to E.4 below who receives a second sanction for any of these violations, will receive a doubled sanction. A third sanction for these violations will result in the doubled sanction and no Civil Money Penalty will be allowed.
- C. A RETAILER with multiple violations in a single investigation shall be sanctioned or disqualified based on the most serious violation. The RETAILER will be notified of all violations detected during the investigation.

- D. The RETAILER shall be charged with points or disqualified, depending on the severity of the violation. Repeated Program abuse will result in a more severe sanction. A pattern, as used below, is defined as at least three (3) independent documented repeated violations of similar severity during compliance buys. A pattern does not need to be present when applying a 6 year or permanent disqualification (see E.3 and E.4 below).
- E. Disqualifications: The RETAILER will receive written notice by certified mail of disqualification and the length of disqualification from the PROGRAM as follows:
2. 1 year disqualification - Exhibiting a pattern of providing unauthorized food in exchange for Food Instrument, including charging for food in excess of those listed on the Food Instrument.
 3. 3 year disqualification:
 - a. Redeeming WIC food instruments for Alcoholic Beverages or Tobacco Products. Only one incidence is necessary for disqualification.
 - b. Exhibiting a pattern of claiming reimbursement in excess of documented inventory.
 - c. Exhibiting a pattern of overcharges. Overcharges is defined as charging more for food than the price charged other customers, charging more than the current shelf price, and charging for foods not received as detected during a compliance buy.
 - d. Exhibiting a pattern of charging for food not received by the participant.
 - e. Exhibiting a pattern of receiving, transacting, and/or redeeming Food Instruments outside of authorized channels including the use of an unauthorized vendor or person.
 - f. Exhibiting a pattern of providing credit or non-food items, other than alcohol, tobacco, cash, firearms, drugs in exchange for Food Instrument.
 4. 6 year disqualification - Retailer found trafficking food instruments or illegal sales by WIC investigation.
 5. Permanent disqualification - Conviction of trafficking food instruments or selling firearms, ammunition, explosives or controlled substances in exchange for WIC food instruments
- F. Sanctions: The RETAILER will receive written notice of WIC Program violations and accompanying sanction points and/or disqualification from the Program as follows:
1. 1-5 points — a warning letter.
 2. 6-10 points — a sanction letter and the RETAILER will be required to respond in writing within 15 days with justification.
 3. 11-20 points —a sanction letter and the RETAILER will be required to: (a) accept training by the Program Representative as soon as possible and within 3 months; and (b) respond in writing to the sanction letter within 15 days with justification.
 4. 21-25 points —written notification by certified mail of disqualification from the PROGRAM for 6 months.
 5. 26-or greater —written notification by certified mail of disqualification from the PROGRAM for 1 year.
- G. WIC Program Violations and Accompanying Sanction Points are:
1. Check Redemption
 - a. Failure to stamp five food instruments with Retailer Identification Number (1 pt)
 - b. Using a RETAILER ID stamp not issued or approved by the Program (2 pts)
 - c. Depositing a food instrument 45 days beyond issue date (2 pts)
 - d. Failure to enter the transaction date on the back and front of the check, either electronically or manually on the back, and manually on the front(2 pts)
 2. Reimbursement Accountability:
 - a. Failure to reimburse the PROGRAM for potential overcharges or provide explanation (3 pts each food instrument)
 - b. Seeking restitution from a participant for a food instrument not paid for by the Program (5 pts)
 - c. Failure to clearly identify shelf prices of WIC food items (5 pts)
 3. Stocking:
 - a. Stocking and/or selling authorized food that is not fresh (4 pts per food category)
 - b. Purchasing formula for sale from supplier other than those on the list of authorized distributors provided by the PROGRAM. (10 pts)
 - c. Unavailability of authorized food or insufficient quantities stock (1 detection = 4 pts, 3 detections = 10 pts, 5 or more detections = 15 pts)
 - d. Failure to supply within five (5) days, infant formula, infant juice, infant cereal, evaporated milk, or dry milk as requested by WIC customer or WIC Program (5 pts. per day)
 4. Cashier Check Out Procedures
 - a. Accepting a food instrument without requiring a WIC ID Pouch (2 pts)
 - b. Accepting food instruments before the issue date and after the expiration date (2 pts)
 - c. Accepting a pre-signed food instrument (2 pts)
 - d. Failure to obtain signature at the store (2 pts)
 - e. Failure to provide the WIC customer a sales receipt when requested (2 pts)
 - f. Failure to allow the purchase of the full or partial amount of food specified on the food instrument (2 pts)
 - g. Having a payee/alternate sign a food instrument without the "actual price" entered (4 pts)
 - h. Inappropriately changing "Actual Amount of Sale" box on WIC food instruments (5 pts)
 - i. Giving change on redemption of a food instrument (5 pts)

- j. Charging sales tax on WIC purchased foods (2 pts)
- k. Accepting or redeeming altered food instruments (8 pts)

5. General:

- a. Submitting the WIC Foods Price List with inaccurate or unacceptable data (2 pts)
 - b. Abusive or discriminatory treatment of WIC participants or WIC staff (4 pts)
 - c. Breach of confidentiality (i.e. contacting the WIC participant directly, requiring signature on separate document) (4 pts)
 - d. Failure to provide updated WIC Foods Price Lists when requested by the PROGRAM (1st request = 5 pts, 2nd request = 7 pts, 3rd request = 9 pts)
 - e. Accepting WIC food instruments prior to receiving a signed Retailer agreement or other written notification from the State WIC Office that the application will be approved (4 pts). Points will be assessed and payment will not be made for these WIC checks.
 - f. Failure to attend a training session per contract period and as required by the PROGRAM (10 pts)
 - g. Accepting WIC food instruments during a suspension period (11 pts)
 - h. Purchasing infant formula for resale from other than wholesaler, distributor or retailer on the approved list provided by PROGRAM. (10 pts)
 - i. Providing incentive items to WIC participants without pre-approval from PROGRAM. (10 pts)
 - j. Following authorization, increasing prices inconsistent with price increases by other authorized vendors in the service area (4 pts)
 - k. Failure to comply with other terms of the Vendor Agreement (4 pts)
- H. All points shall be accumulated and kept for one year following the end of the most current contract period. The PROGRAM reserves the right to take the retailer's history and all circumstances into consideration before applying sanctions or disqualification of a RETAILER.
- I. A RETAILER who is disqualified from participation in the PROGRAM may request an administrative appeal hearing within 15 days from the date of notice of the adverse action. The effective date of disqualification is 15 days from notification date, regardless of appeal request.
- J. A RETAILER who commits fraud or abuse of the PROGRAM is liable to prosecution under applicable Federal, State or local laws. Section 104(b) of Public Law 105-226 Child Nutrition Reauthorization Act of 1998, amended 12(g) of the National School Lunch Act, to state those who willfully misapplied, stole or fraudulently obtained WIC funds shall be subject to a fine or not more than \$25,000 or imprisonment for not more than five (5) years or both, if the value of the funds is \$100 or more. If the value is less than \$100, then the penalties are a fine of not more than \$1,000 or imprisonment for not more than one (1) year of both.
- K. A RETAILER who has accumulated up to 20 sanction points may have their sanction points reduced in half by requesting and attending a training session within three (3) months. This reduction may be applied only once every six (6) months.
- L. PROGRAM will notify RETAILER in writing when an investigation reveals an initial violation for which a pattern of violations must be established in order to impose a sanction, and such notice will be provided before documenting another such violation. Notice, however, is not required if PROGRAM determines, at its discretion, that such notice could compromise an investigation.

III. DEPARTMENT RESPONSIBILITIES:

- A. Provide training to the RETAILER concerning WIC PROGRAM procedures at least once every year.
- B. Provide an interactive training to the RETAILER at least once during the contract period.
 - 1. Inform RETAILER of who at a minimum must attend training.
 - 2. Provide RETAILER with an alternative date on which to attend interactive training.
- C. Monitor the RETAILER for compliance with PROGRAM regulations.
- D. Provide RETAILER with a copy of the South Dakota Department of Health WIC Retailer Management Handbook with each signed agreement and provide RETAILER advance notice of changes to PROGRAM requirements before such changes are implemented.
- E. Deny payment to the RETAILER for improper food instruments or demand refunds for payments already made on improperly redeemed food instruments.
- F. Provide information regarding the retailer's participation with other government agencies including the Food Stamp Program.
- G. Terminate this vendor agreement if DEPARTMENT determines any of the following:
 - 1. The RETAILER has provided false information in connection with its application for authorization.
 - 2. The RETAILER is disqualified from the PROGRAM (See II.E and II.F above)
 - 3. The RETAILER failed to pass a reassessment, using selection criteria in effect at the time of the reassessment, during the agreement period.
 - 4. There is a conflict of interest between the Retailer and the Department or any of its local WIC sites.
- H. Maintain confidentiality of all information that individually identifies authorized retailers other than the retailer names, addresses and authorization status.

- I. Provide RETAILER a list, on an annual basis, of infant formula wholesalers, distributors, and retailers approved by PROGRAM.

IV. General Conditions:

- A. Each party shall have the right to terminate this Agreement for cause giving at least 15 days written notice to the other. Upon termination the WIC Retailer Identification stamps will be returned to the PROGRAM.
- B. The PROGRAM will disqualify a RETAILER who is disqualified or issued a civil money penalty from any other Federal Food and Consumer Service Program, unless circumstances warrant an alternative action. Period of disqualification shall be for the same length of time, may begin at a later date and is not subject to review.
- C. The PROGRAM will disqualify a RETAILER based on sanctions unless circumstances warrant an alternative action. Civil Money Penalties may be applied by the PROGRAM if it is determined that disqualification would cause participant hardship. RETAILER that fails to comply with Civil Money Penalty shall be disqualified for the length of time corresponding to the sanction. Maximum Civil Money Penalty shall not exceed \$11,000. Civil Money Penalty will not be applied for third or subsequent sanctions.
- D. The PROGRAM may not accept voluntary withdrawal from the WIC Program as an alternative to disqualification.
- E. Food Stamp Program authorization shall be withdrawn from any firm which is disqualified from the WIC Program, based on any act which is a violation of WIC Regulations and is a misdemeanor or felony or which is a violation listed in 7 CFR, Section 278.1 (o)(1).
- F. The State WIC Office shall notify the appropriate local agency (ies), Food Stamp Program, and FNS Regional Office of the retailer's disqualification.
- G. A food retailer/owner who has a previous history of WIC/Food Stamp Program abuse, disqualification or civil money sanction within the past twelve (12) months will not be authorized as a WIC Retailer.
- H. A RETAILER who has been disqualified from participation or denied PROGRAM authorization has the right of appeal to the DEPARTMENT pursuant to the South Dakota WIC Administrative Appeal Procedure. Expiration of this Agreement is not subject to appeal.
- I. Retailers must comply with the retailer agreement and federal and state statutes, regulations, and policies as outlined in the procedures governing the program, including any changes made during the agreement period.
- J. The RETAILER shall immediately notify the PROGRAM when RETAILER ceases operation, changes location, or ownership changes. Any of these events will cause DEPARTMENT to terminate this Agreement and the owners will be required to complete the application process to be authorized as a WIC Vendor.
- K. Retailer shall not accept WIC checks if change of ownership has occurred and written notification has not been received from PROGRAM that an Agreement will be signed with the new owners.
- L. This Agreement is non-transferable. Any change in ownership or sale of business by the RETAILER will render this Agreement null and void.
- M. Retailers with an expired Agreement must reapply for continued authorization and shall be subject to the PROGRAM'S selection procedures at the time of reapplication.
- N. The PROGRAM reserves the right to amend Section II. Program Abuse and Sanctions, on an annual basis. Amendments will be made in writing and become effective five days after being sent by the PROGRAM to the RETAILER.

Signature of
Authorized RETAILER Store Representative

Date

Signature of Department Representative

Date

South Dakota WIC Program

Dawn Boyle, MIS/Retailer Specialist
615 East Fourth Street
Pierre, SD 57501 Voice: (605) 773-4792 Fax: (605) 773-5942

Renee Osterkamp, Retail Coordinator
615 East Fourth Street
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SOUTH DAKOTA DEPARTMENT OF HEALTH

WIC PROGRAM SPECIAL PURPOSE RETAILER AGREEMENT

Retailer Name	Retailer Representative	Phone
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Street	City	County	State	Zip	WIC Retailer #
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This AGREEMENT is entered into with the South Dakota Department of Health, (referred to as the DEPARTMENT) to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (referred to as the PROGRAM) by the above named business (referred to as the RETAILER) for the purpose of providing supplemental foods to eligible persons under the WIC Program.

This Agreement is valid for the period of _____ through _____. Neither PROGRAM nor RETAILER has an obligation to renew this Agreement after the expiration date. Retailer must reapply at agreement expiration to continue authorization and DEPARTMENT must provide RETAILER at least 15 day advance notice of agreement expiration. This agreement does not constitute a license or a property interest.

V. RETAILER RESPONSIBILITIES:

- A. The Retailer agrees to supply infant formula or medical nutritional products within 24-48 hours or within a 72 hour time frame if a weekend or a holiday is involved. If the retailer is unable to supply the formula within 72 hours, the retailer must contact the State WIC Office to determine if an exception can be made to extend the time frame to within five (5) days.
- B. The Retailer agrees to provide supplemental foods to PROGRAM participants only upon receipt of a properly completed food instrument and to complete the food instrument transaction properly. Refer to South Dakota Department of Health WIC Retailer Management Handbook for instructions. "Food Instrument" means the document which is used by a participant to obtain supplemental foods. To complete a food instrument transaction properly, the retailer agrees:
 17. To accept food instruments issued by the PROGRAM only for the designated food items and quantities listed on face of the document. The retailer may not charge, give cash, credit, or issue rain checks for WIC food instruments or refunds for WIC items purchased with WIC food instruments.
 18. To allow no substitute for those items listed on the food instruments. Additional foods, unauthorized foods, or non-food items, shall NOT be given to the customer.
 19. To charge a price for the supplemental foods that is no more than the current price charged to non-WIC customers.
 20. To charge a price for the supplemental foods that does not exceed its peer group value.
 21. The WIC Program reviews all redeemed food instruments to ensure that prices charged to WIC participants are the same as, or lower than, prices charged to non-WIC participants for the same items. If a food instrument exceeds its peer group value by a certain percentage, a copy is returned to the retailer. The retailer is expected to reimburse the Department for the difference between the state wide peer group average and the redeemed value.
 22. To require the participants, parents and caretakers of infant and children participants, or proxies to present a WIC ID Pouch insuring identification and signature verification.
 23. To require the purchase price to be entered on the food instrument before the participant signs.
 24. To not accept a food instrument prior to issue date or after expiration date.
 25. To deposit food instruments in a bank account within 45 days from date of issue.
 26. To handle transactions with WIC participants, parents/caretakers, or proxies in the same manner as all other customers.
 27. To be accountable for actions of employees in handling of food instruments or provision of supplemental foods.
 28. To record the store's WIC identification number in the designated space in each food instrument redeemed. This shall be accomplished by utilization of the PROGRAM issued retailer stamp.
 29. To enter the transaction date on each food instrument redeemed, either electronically or manually.
 30. To serve participants equally, regardless of race, color, national origin, age, sex or disability.
 31. To not apply sales tax of any kind to foods purchased with WIC food instruments.
 32. To allow no exchanges, except for food items that are defective, spoiled, or exceed their sell/use date and then only for the exact same brand, type and size of supplemental food item.
 33. To notify the PROGRAM if it is determined that 50% or more of the RETAILER's annual food sales for food stamp eligible food items will be derived from the redemption of WIC food instruments.
- C. The RETAILER will reimburse the PROGRAM for any overcharges of more than the actual purchase price or other errors for supplemental foods upon notice by State and opportunity for justification or correction.
- D. The RETAILER will not seek restitution from a participant for a food instrument not paid or partially paid for by the PROGRAM or bank. Nor will the RETAILER refer unpaid food instruments to a collection agency or third party for collection.

- E. The RETAILER will assure the manager or authorized representative at a minimum agrees to accept WIC retailer training at least once per contract period:
3. The RETAILER will ensure that employees are familiar with the terms of this Agreement.
 4. The RETAILER will be responsible for training all cashiers handling WIC authorized transactions, provide all employees with new information received from the program and be responsible for actions of its owners, officers, managers, agents, and employees which are contrary to this Agreement.
- F. The RETAILER agrees to provide time to any PROGRAM representative for periodic announced or unannounced visits to determine RETAILER compliance with program rules, regulations, and policies, allow access to shelf prices, inventory records and to inspect food instruments in Retailers possession and all program related records upon request. Inventory records are to be maintained for a period of three months.
- G. The RETAILER agrees to submit gross sales, food sales and Food Stamp sales information upon request with supporting documentation as necessary. Examples of supporting documentation include but are not limited to IRS Forms 1065, 1120, 1120S or 1040 Schedule C.
- H. The RETAILER agrees to retain all sales receipts for all WIC transactions for a period of six months and will make receipts available to the PROGRAM upon request.
- I. The RETAILER agrees to submit a WIC Foods Price List upon price increases, whenever requested or at a minimum of every (3) months.
- J. The RETAILER agrees that if more than 50% of its annual revenue is from the sale of food items for WIC food instruments, no incentive items or other free merchandise will be provided to the WIC customers unless the WIC PROGRAM pre-approves those items.
- K. The RETAILER agrees to comply with State WIC program's rules, regulations, policies and procedures and to comply with vendor selection criteria throughout the agreement period, including any changes to the selection criteria.

VI. PROGRAM ABUSE AND SANCTIONS

- M. Abuse of the PROGRAM by the RETAILER is just cause for termination of this Agreement. Disqualification from PROGRAM will be based on the number of points accumulated or the severity of the sanction. Disqualified retailers may be considered having forfeited their authorization and if they seek reauthorization from the Program, Retailer will be required to apply for authorization after expiration of the disqualification period.
- N. A RETAILER previously assessed a sanction for violations included in E.1 to E.4 below who receives a second sanction for any of these violations, will receive a doubled sanction. A third sanction for these violations will result in the doubled sanction and no Civil Money Penalty will be allowed.
- O. A RETAILER with multiple violations in a single investigation shall be sanctioned or disqualified based on the most serious violation. The RETAILER will be notified of all violations detected during the investigation.
- P. The RETAILER shall be charged with points or disqualified, depending on the severity of the violation. Repeated Program abuse will result in a more severe sanction. A pattern, as used below, is defined as at least three (3) independent documented repeated violations of similar severity during compliance buys. A pattern does not need to be present when applying a 6 year or permanent disqualification (see E.3 and E.4 below).
- Q. Disqualifications: The RETAILER will receive written notice by certified mail of disqualification and the length of disqualification from the PROGRAM as follows:
6. 1 year disqualification - Exhibiting a pattern of providing unauthorized food in exchange for food instrument, including charging for food in excess of those listed on the food instrument.
 7. 3 year disqualification:
 - a. Redeeming WIC food instruments for Alcoholic Beverages or Tobacco Products. Only one incidence is necessary for disqualification.
 - b. Exhibiting a pattern of claiming reimbursement in excess of documented inventory.
 - c. Exhibiting a pattern of overcharges. Overcharges is defined as charging more for food than the price charged other customers, charging more than the current shelf price, and charging for foods not received as detected during a compliance buy.
 - d. Exhibiting a pattern of charging for food not received by the participant.
 - e. Exhibiting a pattern of receiving, transacting, and/or redeeming food instruments outside of authorized channels including the use of an unauthorized vendor or person.
 - f. Exhibiting a pattern of providing credit or non-food items, other than alcohol, tobacco, cash, firearms, drugs in exchange for Food Instrument.
 8. 6 year disqualification - Retailer found trafficking food instruments or illegal sales by WIC investigation.
 9. Permanent disqualification - Conviction of trafficking food instruments or selling firearms, ammunition, explosives or controlled substances in exchange for WIC food instruments
- R. Sanctions: The RETAILER will receive written notice of WIC Program violations and accompanying sanction points and/or disqualification from the Program as follows:

6. 1-5 points — a warning letter.
7. 6-10 points — a sanction letter and the RETAILER will be required to respond in writing within 15 days with justification.
8. 11-20 points — a sanction letter and the RETAILER will be required to: (a) accept training by the Program Representative as soon as possible and within 3 months; and (b) respond in writing to the sanction letter within 15 days with justification.
9. 21-25 points — written notification by certified mail of disqualification from the PROGRAM for 6 months.
10. 26-or greater — written notification by certified mail of disqualification from the PROGRAM for 1 year.

S. WIC Program Violations and Accompanying Sanction Points are:

6. Check Redemption
 - a. Failure to stamp five food instruments with Retailer Identification Number (1 pt)
 - b. Using a RETAILER ID stamp not issued or approved by the Program (2 pts)
 - c. Depositing a food instrument 60 days beyond issue date (2 pts)
 - d. Failure to enter the transaction date on the back of the check, either electronically or manually (2 pts)
7. Reimbursement Accountability:
 - d. Failure to reimburse the PROGRAM for potential overcharges or provide explanation (3 pts each food instrument)
 - e. Seeking restitution from a participant for a food instrument not paid for by the Program (5 pts)
 - f. Failure to clearly identify shelf prices of WIC food items (5 pts)
8. Stocking:
 - e. Stocking and/or selling authorized food that is not fresh (4 pts per food category)
 - f. Purchasing formula for sale from supplier other than those on the list of authorized distributors provided by the PROGRAM. (10 pts)
 - g. Unavailability of authorized food (1 detection = 4 pts, 3 detections = 10 pts, 5 or more detections = 15 pts)
 - h. Failure to supply within five (5) days infant formula as requested by WIC customer or WIC Program (5 pts. per day)
9. Cashier Check Out Procedures
 - l. Accepting a food instrument without requiring a WIC ID Pouch (2 pts)
 - m. Accepting food instruments before the issue date and after the expiration date (2 pts)
 - n. Accepting a pre-signed food instrument (2 pts)
 - o. Failure to obtain signature at the store (2 pts)
 - p. Failure to provide the WIC customer a sales receipt when requested (2 pts)
 - q. Failure to allow the purchase of the full or partial amount of food specified on the food instrument (2 pts)
 - r. Having a payee/alternate sign a food instrument without the "actual price" entered (4 pts)
 - s. Inappropriately changing "Actual Amount of Sale" box on WIC food instruments (5 pts)
 - t. Giving change on redemption of a food instrument (5 pts)
 - u. Charging sales tax on WIC purchased foods (2 pts)
 - v. Accepting or redeeming altered food instruments (8 pts)
10. General:
 - l. Submitting the WIC Foods Price List with inaccurate or unacceptable data (2 pts)
 - m. Abusive or discriminatory treatment of WIC participants or WIC staff (4 pts)
 - n. Breach of confidentiality (i.e. contacting the WIC participant directly, requiring signature on separate document) (4 pts)
 - o. Failure to provide updated WIC Foods Price Lists when requested by the PROGRAM (1st request = 5 pts, 2nd request = 7 pts, 3rd request = 9 pts)
 - p. Accepting WIC food instruments prior to receiving a signed Retailer agreement or other written notification from the State WIC Office that the application will be approved (4 pts). Points will be assessed and payment will not be made for these WIC checks.
 - q. Failure to attend a training session per contract period and as required by the PROGRAM (10 pts)
 - r. Accepting WIC food instruments during a suspension period (11 pts)
 - s. Purchasing infant formula for resale from other than wholesaler, distributor or retailer on the approved list provided by PROGRAM. (10 pts)
 - t. Providing incentive items to WIC participants without pre-approval from PROGRAM. (10 pts)
 - u. Following authorization, increasing prices inconsistent with price increases by other authorized vendors in the service area (4 pts)
 - v. Failure to comply with other terms of the Vendor Agreement (4 pts)

T. All points shall be accumulated and kept for one year following the end of the most current contract period. The PROGRAM reserves the right to take the retailer's history and all circumstances into consideration before applying sanctions or disqualification of a RETAILER.

U. A RETAILER who is disqualified from participation in the PROGRAM may request an administrative appeal hearing within 15 days from the date of notice of the adverse action. The effective date of disqualification is 15 days from notification date, regardless of appeal request.

V. A RETAILER who commits fraud or abuse of the PROGRAM is liable to prosecution under applicable Federal, State or local laws. Section 104(b) of Public Law 105-226 Child Nutrition Reauthorization Act of 1998, amended 12(g) of

the National School Lunch Act, to state those who willfully misapplied, stole or fraudulently obtained WIC funds shall be subject to a fine of not more than \$25,000 or imprisonment for not more than five (5) years or both, if the value of the funds is \$100 or more. If the value is less than \$100, then the penalties are a fine of not more than \$1,000 or imprisonment for not more than one (1) year of both.

- W. A RETAILER who has accumulated up to 20 sanction points may have their sanction points reduced in half by requesting and attending a training session within three (3) months. This reduction may be applied only once every six (6) months.
- X. PROGRAM will notify RETAILER in writing when an investigation reveals an initial violation for which a pattern of violations must be established in order to impose a sanction, and such notice will be provided before documenting another such violation. Notice, however, is not required if PROGRAM determines, at its discretion, that such notice could compromise an investigation.

VII. DEPARTMENT RESPONSIBILITIES:

- J. Provide training to the RETAILER concerning WIC PROGRAM procedures at least once every year.
- K. Provide an interactive training to the RETAILER at least once during the contract period.
 - 1. Inform RETAILER of who at a minimum must attend training.
 - 2. Provide RETAILER with an alternative date on which to attend interactive training.
- L. Monitor the RETAILER for compliance with PROGRAM regulations.
- M. Provide RETAILER with a copy of the South Dakota Department of Health WIC Retailer Management Handbook with each signed agreement and provide RETAILER advance notice of changes to PROGRAM requirements before such changes are implemented.
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- O. Provide information regarding the retailer's participation with other government agencies including the Food Stamp Program.
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 - 4. There is a conflict of interest between the Retailer and the Department or any of its local WIC sites.
- Q. Maintain confidentiality of all information that individually identifies authorized retailers other than the retailer names, addresses and authorization status.
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VIII. GENERAL CONDITIONS:

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- T. The State WIC Office shall notify the appropriate local agency (ies), Food Stamp Program, and FNS Regional Office of the retailer's disqualification.
- U. A retailer/owner who has a previous history of WIC/Food Stamp Program abuse, disqualification or civil money sanction within the past twelve (12) months will not be authorized as a WIC Retailer.
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- Y. Retailer shall not accept WIC checks if change of ownership has occurred and written notification has not been received from PROGRAM that an Agreement will be signed with the new owners.
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Signature of
Authorized RETAILER Store Representative

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Signature of Department Representative

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South Dakota WIC Program

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